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STATE OF MONTANA
MONTANA ADVISORY COUNCIL FOR VOCATIONAL EDUCATION

Report on Examination of Financial Statements
Fiscal Year Ended June 30, 1979

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STATE OF MONTANA
MONTANA ADVISORY COUNCIL FOR VOCATIONAL EDUCATION

Report on Examination of Financial Statements
Fiscal Year Ended June 30, 1979

79-3

Office of the Legislative Auditor
Room 135, State Capitol
Helena, Montana 59601

SUMMARY OF RECOMMENDATIONS

As a separate section in the front of each audit report we include a listing of all recommendations together with a notation as to whether the agency concurs or does not concur with each recommendation. This listing serves as a means of summarizing the recommendations contained in the report and the audited agency's reply thereto and also as a ready reference to the supporting comments. The full replies of the Montana Advisory Council for Vocational Education and the Teachers' Retirement Board are included in the back of this report.

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APPOINTIVE AND ADMINISTRATIVE OFFICIALS

ADVISORY COUNCIL FOR VOCATIONAL EDUCATION

AS OF OCTOBER 12, 1979

<u>Council Member</u>	<u>Area Represented</u>
Senator George McCallum, Chairperson	Nirada
Naomi Roy, Vice Chairperson	Browning
Donald Archibald	Helena
Jane Baker	Great Falls
Sister Madelon Burns	Butte
Ross Cannon	Helena
Dr. Alex Capdeville	Helena
Gordon Crandell	Peerless
Bruce DeRosier	Helena
Walter Donaldson	Helena
Susan Hilleboe	Helena
Dr. Jon Jourdonnais	Great Falls
Doug Kilner	Libby
William Korizek	Helena
Peggy McDonald	Billings
Glenda Malloy	Butte
Representative Darryl Meyer	Great Falls
Jerry Patterson	Geraldine
Doreen Pond	Lame Deer
Dr. Virgil Poore	Billings
Dale Rawlings	Butte
David Rosman	Havre
Representative James Schultz	Lewistown
Paulette Sheron	Butte
Colonel Gordon Simmons	Missoula
Marolane Stevenson	Missoula
Jessica Stickney	Miles City
Representative Melvin Williams	Laurel
William Yellowtail, Jr.	Wyola

ADMINISTRATIVE OFFICIAL

William A. Ball

Executive Director

COMMENTS

GENERAL

The Montana Advisory Council for Vocational Education is a federally funded agency formed under the statutory authority contained in section 2-15-122, MCA. The council was created in 1969 pursuant to federal law 20 U.S.C.A., section 1244, which requires each state to establish a state advisory council in order to receive federal vocational education funds. The council functions in an advisory capacity to the Office of the Superintendent of Public Instruction on vocational education matters. Its purpose is to ensure that vocational programs, services, and activities in Montana are functioning efficiently and are available to all persons who need and can benefit from them.

During the audit period the council had 23 members. In 1979, the legislature passed HB 634, which transferred the responsibility of council appointment from the Governor to the Superintendent of Public Instruction. The superintendent increased the council size to 29 members. The council members represent various occupations, backgrounds, and geographic locations in the state. The diversity of membership is a federal requirement to facilitate input from all sectors of Montana's citizens.

Under federal guidelines, the council serves as advisor to the "sole state agency or board" responsible

for vocational education. During fiscal year 1978-79, the Board of Public Education was the sole state agency. As of July 1, 1979, the 1979 Legislature designated the Office of Public Instruction as the agency to serve in this capacity.

The major responsibilities of the council as revised by Public Law 94-482, "Education Amendments of 1976" are:

1. To advise the sole state agency (a) in the development of the five-year State Plan for Vocational Education and the annual program plan and, (b) on policy matters arising out of the administration of these plans and reports;
2. To evaluate vocational education programs, services, and activities and publish and distribute the results thereof;
3. To assist the sole state agency in developing plans for evaluations of vocational education and to monitor these evaluations;
4. To prepare and submit through the sole state agency to the U.S. Commissioner of Education and to the National Advisory Council an annual evaluation report;
5. To consult with the State Manpower Services Council, and identify vocational education and employment and training needs of the state and assess the extent to which vocational education, employment training, vocational rehabilitation, special education, and other programs assisted under P.L. 94-482 and related Acts represent a consistent, integrated, and coordinated approach;
6. To comment at least annually on the reports of the State Manpower Services Council; and
7. To provide technical assistance to eligible vocational fund recipients and local advisory councils as may be requested by the recipients to establish and operate local advisory councils.

The council employs two staff members to assist in carrying out these responsibilities.

Classification of Council Employees

During fiscal year 1978-79, the executive director of the council was not classified under the state classification plan. Section 2-18-201, MCA, requires the Department of Administration to develop a classification plan "for all state positions and classes of positions in state service," which are not specifically exempt from the plan.

In January 1979, the Attorney General issued an opinion stating that council employees are state employees subject to the rules of the classification system. In February 1979, the Office of the Governor referred the matter to the Personnel Division of the Department of Administration. On March 29, 1979, the Personnel Division notified the chairman of the Advisory Council that the executive director had been classified and the appropriate payroll changes should be made.

The executive director's salary was adjusted in November 1979 to the classification level established by the Personnel Division.

Membership in Teachers' Retirement System

The executive director is an active member of the Teachers' Retirement System although he does not technically meet the requirements for membership set forth in

section 19-4-302, MCA. An official of the Teachers' Retirement Division of the Department of Administration stated that the director continued as an active member of the Teachers' Retirement System (TRS) after he transferred from an eligible position in 1970.

Section 19-4-302, MCA, sets forth five specific categories of persons eligible for membership in TRS. Although the executive director is involved with education, the position is not specifically enumerated in the statute. Section 19-4-303(3) provides:

"At any time a person's eligibility to become a member of the retirement system is in doubt, the retirement board shall determine his eligibility for membership. All persons in similar circumstances shall be treated alike."

It does not appear that the retirement board has considered whether the executive director is eligible for membership in the system.

RECOMMENDATION

We recommend that the Teachers' Retirement Board determine the eligibility of the executive director of the Advisory Council for Vocational Education for membership in the Teachers' Retirement System.

AUDITOR'S REPORT AND FINANCIAL STATEMENTS



STATE OF MONTANA

Office of the Legislative Auditor

STATE CAPITOL
HELENA, MONTANA 59601
406/449-3122



MORRIS L. BRUSETT, C.P.A.
LEGISLATIVE AUDITOR

ELLEN FEAVER, C.P.A.
DEPUTY LEGISLATIVE AUDITOR
JOHN W. NORTHEY
STAFF LEGAL COUNSEL

To the Legislative Audit Committee
of the Montana State Legislature:

We have examined the balance sheet of the Montana Advisory Council for Vocational Education as of June 30, 1979 and the related statements of operation listed in the table of contents of this report for the year then ended. Our examination was made in accordance with generally accepted auditing standards and, accordingly, included such tests of accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, the financial statements referred to above present fairly the financial position of the Advisory Council for Vocational Education as of June 30, 1979 and the results of its operations and changes in fund balance for the year then ended in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

The accompanying Schedules of Expenditures by Object and Travel, Council Compensation Expenditures

by Functional Activity and Analysis of Changes in General Fixed Assets, pages 12 and 13, are not necessary for fair presentation of the financial statements but are presented as supplemental information. This information has been subjected to the tests and other auditing procedures applied in our examination of the financial statements and in our opinion, is fairly stated in all material respects in relation to the financial statements taken as a whole.

Respectfully submitted,

Morris L. Brusett

Morris L. Brusett, C.P.A.
Legislative Auditor

October 12, 1979

ADVISORY COUNCIL FOR VOCATIONAL EDUCATION

BALANCE SHEETJUNE 30, 1979

	<u>Federal and Private Revenue Fund</u>	<u>General Fixed Assets Account Group</u>
ASSETS:		
Cash in Treasury	\$14,750	
Office Equipment	_____	\$2,375
Total Assets	<u>\$14,750</u>	<u>\$2,375</u>
LIABILITIES AND FUND BALANCE:		
Accounts Payable	\$ 3,214	
Fund Balance	<u>11,536</u>	\$2,375
Total Liabilities and Fund Balance	<u>\$14,750</u>	<u>\$2,375</u>

ADVISORY COUNCIL FOR VOCATIONAL EDUCATION
STATEMENT OF REVENUE COMPARED WITH REVENUE ESTIMATES
FISCAL YEAR ENDED JUNE 30, 1979

	<u>Federal and Private Revenue Fund</u>	
	<u>Estimated</u>	<u>Actual</u>
Revenue:		
Federal Grant	\$75,000	\$75,000
Total	<u>\$75,000</u>	<u>\$75,000</u>

ADVISORY COUNCIL FOR VOCATIONAL EDUCATION
STATEMENT OF EXPENDITURES COMPARED
WITH APPROPRIATIONS
FISCAL YEAR ENDED JUNE 30, 1979

	<u>Federal and Private Revenue Fund</u>
Appropriations	\$52,967
Budget Amendments	<u>32,558</u>
Total Available	85,525
Expenditures	<u>73,922</u>
Unexpended Appropriation Balance	<u>\$11,603</u>

ADVISORY COUNCIL FOR VOCATIONAL EDUCATION
STATEMENT OF CHANGES IN FUND BALANCE
FISCAL YEAR ENDED JUNE 30, 1979

Federal and Private
Revenue Fund

Fund Balance, July 1, 1978	\$10,503
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Additions:

Revenue	75,000
Total Fund Balance and Additions	<u>85,503</u>

Deductions:

Expenditures	73,922
Prior year expenditure	
adjustments	45
Total Deductions	<u>73,967</u>

Fund Balance, June 30, 1979	<u>\$11,536</u>
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ADVISORY COUNCIL FOR VOCATIONAL EDUCATION

NOTES TO THE FINANCIAL STATEMENTS
FISCAL YEAR ENDED JUNE 30, 1979

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The preceding financial statements were prepared from the Statewide Budgeting and Accounting System (SBAS) except for the General Fixed Assets Account Group Balance Sheet which was prepared from the agency's manual records.

The state of Montana utilizes the modified accrual basis of accounting. Modified accrual is defined as "that method of accounting in which expenditures are recorded on the basis of valid obligations and revenues are recorded when received as cash. At the end of a fiscal year, all valid obligations against an appropriation are to be accrued as expenditures as provided by law." (Montana Administrative Manual 2-0240.40.)

2. RETIREMENT PLAN

The council's employees participate in two retirement plans, the Public Employees' Retirement System and the Teachers' Retirement System. Both plans are contributory. Retirement plan expense for fiscal year 1978-79 was \$2,429. The unfunded past service costs and the actuarially computed value of vested benefits were not readily available for members of the plans employed by the agency.

3. VACATION AND SICK PAY

Liabilities incurred because of employees' unused vacation and sick pay are not recorded. The related expenditures are recorded when paid. Permanent employees are allowed to accumulate and carry over into a new calendar year a maximum of two times their annual accumulation of vacation. Upon termination, qualifying permanent employees having unused, accumulated vacation and sick leave receive payment for vacation on a 100 percent basis and sick leave on a 25 percent basis. The amount of the liability associated with unused, accumulated vacation and sick leave at June 30, 1979 is not readily determinable under the statewide accounting system.

4. OFFICE SPACE

The Department of Military Affairs provides office space in Helena to the Advisory Council for Vocational Education at no charge.

5. METHOD OF VALUING ASSETS

The council records its office equipment at cost.

ADVISORY COUNCIL FOR VOCATIONAL EDUCATION
SCHEDULE OF EXPENDITURES BY OBJECT
FISCAL YEAR ENDED JUNE 30, 1979

Personal Services	
Salaries	\$38,643
Other Compensation	2,912
Employee Benefits	5,296
Total Personal Services	<u>46,851</u>
Operating Expenses	
Contracted Services	3,268
Supplies and Materials	650
Communications	4,015
Travel	17,823
Rent	141
Repair and Maintenance	100
Other Expenses	1,074
Total Operating Expenses	<u>27,071</u>
Total Expenditures	<u>\$73,922</u>

SCHEDULE OF TRAVEL AND
COUNCIL COMPENSATION EXPENDITURES
BY FUNCTIONAL ACTIVITY
FISCAL YEAR ENDED JUNE 30, 1979

Council Meetings	\$ 9,335
Public Meetings	1,204
Board of Public Education Meetings	278
Legislative Subcommittee Meetings	330
Other Meetings	803
Survey Facilities & Evaluations	816
Out-of-state Travel	5,057
Total Travel	17,823
Council Compensation	<u>2,912</u>
Total	<u>\$20,735</u>

ADVISORY COUNCIL FOR VOCATIONAL EDUCATION
ANALYSIS OF CHANGES IN GENERAL FIXED ASSETS
FISCAL YEAR ENDED JUNE 30, 1979

Beginning Balance, July 1, 1978	\$2,306
Additions:	
Office Equipment	<u>69</u>
Ending Balance, June 30, 1979	<u>\$2,375</u>

AGENCY REPLIES

February 5, 1980

Mr. Morris L. Brusett
Legislative Auditor
Room 135
State Capitol
Helena, Montana 59601

Dear Mr. Brusett:

I have reviewed the report of the audit conducted by your office and discussed it with the Chairman of the Council.

As presented, we have no disagreement with the draft report. We look forward to receiving the final printed report.

Sincerely,

William A. Ball

William A. Ball
Executive Director

WB/jp

cc: Chairman George McCallum
Wayne Kedish

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FEB 10 1980

MONTANA LEGISLATIVE AUDITOR

The Teachers Retirement System



State of Montana

1500 Sixth Ave. Phone 406-449-3134
HELENA, MONTANA 59601

MEMBERS OF THE BOARD

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HAROLD WENAAS, Great Falls
GEORGIA RICE
State Supt of Public Instruction, Ex Officio

OWEN L. MORRIS, JR., Executive Secretary
F. ROBERT JOHNSON, Ass't Executive Secretary

February 11, 1980

Morris L. Brusett, C.P.A.
Legislative Auditor
Office of the Legislative Auditor
State Capitol Building
Helena, Montana 59601

RECORDED

Dear Morris:

On February 8, 1980 the Teachers' Retirement Board approved the membership eligibility of the position of Executive Director, Advisory Council for Vocational Education; this is in accordance with Section 19-4-205 MCA.

If you need additional information please contact me.

Sincerely,

A handwritten signature in black ink, appearing to read "F. Robert Johnson".

F. Robert Johnson
Executive Secretary

pp



